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6 May 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Italy concludes trade agreement with Poland involving embargoed items: Italy has informed COCOM that its recently renewed trade agreement with Poland involves one List I item and five List II items. However, the Italian delegate believes the shipment of the List I item can be avoided, and asserts that if there is controversy, Italy will submit a list of the other items for COCOM inspection.

25X1 Britain, France, Belgium, and Germany have vigorously protested this trade agreement as a "fait accompli." COCOM has refused to discuss the agreement until it received assurances that Italy will abide by the rules of the committee. [REDACTED]

Comment: This is another indication of Italy's growing independence in the conduct of its commercial relations. Within recent months Italian officials have increasingly resisted unilateral approaches by the United States on trade matters, insisting that such matters should be handled in COCOM.

EASTERN EUROPE

2. Jet planes and Bulgarian military units featured in Sofia May Day parade: The "international holiday of working people" was celebrated in Sofia on 1 May with a parade featuring units of the Sofia military garrison. A number of jet aircraft were in the air during the course of the parade, and a wide variety of military equipment -- including "a large number" of tanks -- took part in the review. Although

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Premier Chervenkov and other ranking members of the Bulgarian Politburo were present on the rostrum, the keynote address was delivered by General Panchevski, Minister of National Defense.

May Day broadcasts of the Bulgarian Home Service placed considerable emphasis upon attacks directed against the Tito regime in Yugoslavia. Only slight attention was given to the bacterial warfare theme. [REDACTED]

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Comment: The May Day festivities in Sofia were in marked contrast with the celebrations in other Satellites, where the military theme was generally avoided and perhaps even deliberately played down.

3. Public received Polish May Day festivities unenthusiastically: American observers of May Day celebrations in Warsaw and Poznan report an almost total lack of enthusiasm on the part of marchers in the parade and spectators, who were repeatedly exhorted to "smile and be gay." A final cheer for President Bierut, led by a clique near the central rostrum in Warsaw, elicited absolutely no response.

No military units or equipment appeared in the parade. About 300,000 marchers participated, along with numerous floats and placards lauding Soviet and Polish leaders and featuring anti-American cartoons. The parade also stressed exhibits of industrial goods. [REDACTED]

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Comment: Similar public apathy and the absence of military display during the parade were noted a year ago.

4. Liquidation of joint Soviet-Rumanian companies rumored: A usually well-informed source has told the American Legation in Bucharest that the SOVROMS, the joint Soviet-Rumanian economic enterprises, are to be liquidated. The Legation has no confirmation of this statement but speculates that, if true, it may involve a broad change of Soviet economic policy in the Satellites. [REDACTED]

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Comment: On 29 April the USSR returned 66 industrial plants which it has operated in its occupation zone in Germany to the East German Government. The political reasons for this move, however, do not exist in Rumania.

Thirteen SOVROMS play leading roles in Rumania's petroleum industry, transport, heavy industry, mining, forestry, banking.

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and insurance, and even in the moving picture industry. It seems unlikely that the USSR would consider liquidating its chief overt instruments for economic exploitation and control of Rumania.

5. Rumania steps up collectivization: The American Legation in Bucharest reports that a renewed collectivization campaign in 1952 now seems likely.

The Rumanian Government has taken various measures to persuade the peasants to join cooperatives, and the official Rumanian Workers' Party newspaper recently announced that 130 new collective farms were established during the first quarter of 1952. During the same period 719 loose agricultural associations were formed. [redacted]

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Comment: Less than 100 collective farms were established during all of 1951, and only six of those were set up after September.

All the Satellites considerably slowed down their collectivization programs early in 1951, devoting their attention to consolidation of existing gains and encouraging voluntary formation of agricultural cooperatives. Rumania's resumption of collectivization and reports of a recent increase in the number of Polish farm cooperatives suggest that the Satellites may be preparing to step up collectivization again this year.

6. Friction continues between Yugoslavs and Italians: The Italian Minister to Belgrade and his staff absented themselves from the Belgrade May Day celebrations because of an insulting speech made by Yugoslav Deputy Defense Minister General Gosnjak on April 28. Gosnjak is reported to have stated that "On mountains coveted by Italians and now belonging (to) Yugoslavia, Italians have been beaten and shamefully fled during two World Wars".

Yugoslav May Day parade slogans concerning Trieste were "fairly moderate," according to United States observers. But, the May Day proclamation of the Central Committee of the Yugoslav Communist Party made special reference to "the followers of Fascism in Italy ... demonstrating aggressive tendencies toward Yugoslavia," etc. [redacted]

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Comment: Deputy Defense Minister Gosnjak has voiced the most extreme of recent Yugoslav references to Italy and the

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Trieste issue. Such statements by a responsible Yugoslav official, and the apparent resurgence of Italian irredentist sentiment will not only prejudice future relations over Trieste but will seriously hinder any future joint planning for the defense of southern Europe.

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FAR EAST

7. Japan plans to tighten internal security measures following riot: The Tokyo May Day riot has brought about a number of favorable developments from the standpoint of Japan's internal security, according to CINCFE. The government has decided to press for immediate passage of the Subversive Activities Bill and to intensify its investigation of the Communist Party.

Plans to merge the local police into a national police system are also under consideration. CINCFE notes that the riot has created greater support for proposed revisions in the labor laws. [REDACTED]

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Comment: Concern has already been expressed by American officials and the Japanese press that the government may utilize the riot to suppress legitimate political and labor activities. However, government spokesmen have reported that only 7,000 individuals, mostly Koreans and students, participated in the riot out of the more than 400,000 who attended the labor rally.

8. Unusual hangar sighted at Manchurian airfield: Several experienced pilots for 45 minutes on 1 May watched eight aircraft on Takushan Airfield, near the Manchurian-Korean border, taxi from the southeast corner of the runway and disappear into an "elevated mound" about 200 yards off the main runway.

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Comment: An earthen "band shell shaped structure" from which four aircraft emerged before taxiing to the main runway was observed on 18 April by an F-86 pilot. This information indicates a major storage facility and suggests a maintenance capability heretofore unreported at this field.

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10. French Minister-Resident holds Vietnam national army must be formed by 1955: French Minister-Resident Letourneau in Saigon has told American Minister Heath that the Vietnamese army must be developed to the point of taking over the main share of the military burden in Indochina by 1955, despite French military views that this is impossible. Letourneau was certain that he could persuade the French Assembly to vote an increase in the Indochina budget but only if it would be used to expand the Viet army and hasten the repatriation of a considerable number of French troops and officers.

The Minister-Resident believes that the Assembly would be willing to shoulder the financial and military burden of Indochina for a long time to come but not if the Vietnamese Government demands further concessions.

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Comment: The seriousness of the French financial situation and a growing reluctance in the Assembly to support the Indochina burden indefinitely would seem to weaken Letourneau's estimate of the Assembly's attitude.

11. Increased Communist activity in Thailand indicated: The Thai Communist Party held its second general meeting on 28 April, according to a report in the Bangkok press. Meanwhile, a government investigating committee is reported to have concluded that two recent railroad accidents, one near the Indochina border and the other near the Malayan border, were the result of sabotage.

The American Embassy in Bangkok comments that the reported Communist meeting may presage an intensified effort to gain the support of the Thai population who heretofore have resisted the "normal Communist approach."

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Comment: The Thai Communist Party, believed to be subordinate to the local Chinese Communist organization, has been ineffectual to date.

12. Karen leader reported negotiating surrender to Burmese authorities: The Burmese press reports that the deputy commander of Karen insurgent forces is in Rangoon negotiating the

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25X1 surrender of a large group under the command of Brigadier Min Maung. Burmese Government agencies will not comment on this report, but the American Army Attache in Rangoon believes that secret negotiations for the surrender of certain groups are underway. [redacted]

Comment: The Burmese press is frequently unreliable.

Min Maung is reputed to be the commander in chief of all Karen armed forces and there are no indications that the Karens are prepared to surrender en masse. The attache has previously reported that the morale of the Karens in eastern Burma, where Min Maung maintains his headquarters, was thought to be high because new arms were acquired from Thailand in exchange for ores.

13. Burmese Army reported gaining advantage over insurgents in Delta: The American Army Attache in Rangoon reports that Burmese Government troops appear to be breaking up the insurgency in the Irrawaddy Delta. According to a number of sources, the Karens in the area are hard pressed with some surrendering and others joining the Communists. [redacted]

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25X1 Comment: The Karens of the Delta are heavily outnumbered by the Burmans and have, until recently, borne the brunt of the Burmese Government's efforts to establish its authority. They have only lately, however, shown the ability to undertake fairly large-scale raids against Burman-held towns.

14. Leading trade union in Burma declines Peiping invitation: The Burmese Defense Minister, U Ba Swe, who is also president of the Socialist-controlled Trade Union Congress, declined an invitation from Peiping to send a delegation to its May Day celebrations. Ba Swe pleaded that preparations for their own celebration did not permit the Burmese time to select a delegation and suggested that an exchange of missions be negotiated at a later date.

25X1 The American Embassy in Rangoon comments that the Socialist labor group appears to have found a dignified method to assert its authority over local labor without offending the Chinese Communists. The Army Attache believes the move was motivated by Ba Swe's desire to promote the support of the army, which is largely anti-Communist. [redacted]

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Comment: There was no lack of Burmese representation on 1 May in Peiping. An official Burmese cultural mission headed by a cabinet officer was present as well as the delegation returning from the Moscow Economic Conference, overseas Chinese, and representatives of the Burma Trade Union Congress, the pro-Communist rival of the Socialist labor organization.

15. Opposing Burmese labor groups join in celebrating May Day: The pro-Communist Burma Trade Union Congress authorized its affiliated unions to merge with the government-controlled Trade Union Congress (Burma) in the celebration of May Day. The American Embassy in Rangoon comments that this action is a further example of the cooperation the above-ground Communists are offering to the government to parallel the peace proposals from the insurgent Communists.

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Comment: This is the first occasion of cooperation between the two labor groups.

SOUTH ASIA

16. Soviet interest in southern Afghanistan is reportedly increasing: The Pakistani Minister of the Interior and Police says he has verified reports from the Pakistani Charge in Kabul that Soviet interest in the physical aspects of the southern Afghan frontier has recently increased. The Minister is sure that certain members of Soviet missions in Afghanistan are military officers rather than the technicians they appear to be. He also claims that the Soviet and Indian military attaches in Afghanistan have recently met secretly in Kabul, Kandahar, and Herat.

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Comment: Such reports are difficult to evaluate because they are hard for American officials to verify. The Pakistani Government may think that by raising the spectre of Soviet penetration it can force the United States to seek a quick settlement of the Kashmir situation in order to ensure maximum military security in South Asia.

On the other hand, the American Embassy in Kabul has reported a growing amount of Communist-line propaganda in the output of the Afghan Government Press Department, while the Iranian Charge in Kabul states that members of Soviet missions in Afghanistan have recently become more active.

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There is an Indian consular office in Kandahar where the military attaches may have met. There is also a Pakistani consular official in Kandahar who might be in a position to learn they had done so.

NEAR EAST - AFRICA

17. British bases in Iraq may be renegotiated this year: The First Secretary of the British Embassy in Baghdad believes that the status of the British air bases at Habbaniyah and Shaiba will be renegotiated "within the year." He further reports that Iraq is quietly pressing Britain to relinquish certain privileges enjoyed under the 1930 Anglo-Iraqi treaty. [redacted]

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Comment: Britain has been willing to give up control of these bases but insists that any revision of the 1930 treaty assure British use of them. Owing to local nationalist sentiment, Britain has not been able to secure revision of this treaty. Current Iraqi preference for a joint Anglo-American approach to Iraq's defense problem may make it even more difficult for Britain to maintain its present military role in Iraq.

18. Former Egyptian Prime Minister rumored likely successor to Hilali: The return of former Prime Minister Sirry Pasha from a vacation in Spain has started rumors in Cairo that he may succeed Prime Minister Hilali Pasha. The reasoning behind this speculation is that Hilali will probably resign if the current Anglo-Egyptian discussions fail. In that case King Farouk would need a pro-palace man, like Sirry, as Prime Minister to assure the maintenance of law and order. [redacted]

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Comment: Sirry, an independent in politics, is considered honest, competent, and friendly to the British. The present Egyptian Minister of the Interior, Maraghi Bey, has been previously reported as ready to take over the premiership if Hilali should leave office.

19. Spanish Foreign Minister's Arab tour interpreted as mainly goodwill and propaganda mission: The US Ambassador in Madrid reports there is nothing to substantiate press speculation that Foreign Minister Artajo's trip to six Arab states

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would lead to a Mediterranean pact, Franco's becoming mediator between the Arab and the Western worlds, or the establishment of a third force including Spain, Arab and Latin American countries. The Ambassador lists the friendship, cultural and commercial treaty with Syria, cultural agreement with Egypt and arrangements for an exchange visit to Madrid on 9 May by the Regent of Iraq as Artajo's chief concrete accomplishments.

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Comment: Artajo's tour was apparently calculated to point up for propaganda purposes the excellent relations Spain enjoys with the Arab countries in contrast to the current difficulties of Britain and France in North Africa and the Middle East. The maneuver gained added propaganda value by its deliberate timing to coincide with the inception of US-Spanish military and economic talks and Spain's bid for a more active voice in the administration of the International Zone of Tangier.

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21. Tunisian nationalists discount efficacy of the French-Tunisian Mixed Commission: Tunisian nationalists are not

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disturbed by the delay in the formation of the Mixed Commission since they believe that its frame of reference, the reorganization of the Tunisian legislative body, is completely inadequate. They also believe that the Mixed Commission will be dominated by the French residents in Tunisia and used to forward their special interests.

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Comment: When the Mixed Commission meets, it will have virtually no responsibility. According to the French Government's instructions to the Resident General, the Commission will confine its deliberations to the composition and responsibilities of the two proposed legislative assemblies and the administrative court.

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WESTERN EUROPE

22. European Defense Community conference goes into continuous session: As the result of a French proposal for counteracting unfavorable public reaction, the Steering Committee of the European Defense Community conference went into continuous session on 5 May in order to end the delay in initialing the draft treaty. The chief Dutch delegate stated that he would seek new instructions permitting him to initial the treaty before the basic problem of the German financial contribution is resolved.

The chief French delegate warned, however, that even after the initialing ceremony the Foreign Ministers could still raise any question before the signing of the treaty. Furthermore, all questions not settled by the Steering Committee are to be sent to the Ministers for decision. [REDACTED]

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Comment: On 3 May the French won their point in the Steering Committee for limiting to 18 months the transitional period when the territorial military organizations will be along national lines. General agreement is still to be reached, however, on the allocation of the German financial contribution against the costs of the Defense Community and Allied logistical support.

23. French dissatisfied with British plan for tie with European Community arrangements: British Foreign Minister Eden's recent proposal for coordinating the Council of Europe with the coal-steel pool and the European Defense Community has disappointed the French. The British would make the Council of Europe's name, buildings, and existing secretariat services available to the European Community.

In general, the Schuman Plan countries fear that association with the Council of Europe might slow the Community's development. The French had hoped that Eden's proposal meant that Britain would enter into close association with the work of the Community.

The attitude of the German delegate on the Council of Europe Ministers' Committee toward the British plan has been negative. [REDACTED]

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Comment: The French Assembly tentatively approved the concept of a European Army in February, on condition that the government would renew all efforts to obtain British participation.

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The British have agreed to send a non-voting member to the coal-steel High Authority and may consent to similar representation at the Defense Community Council; but there is still no indication that they are considering closer political ties with the Continent.

24. Trieste draft will not hurt De Gasperi in local elections: The American Embassy in Rome believes that the draft agreement reached at the tripartite London talks on Trieste falls short of Italian hopes but gives the Italian Government enough concessions to avoid serious effects from the Trieste issue in the local elections. The agreement gives Italy a substantially larger role in the administration of Zone A. [REDACTED]

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Comment: Local elections are scheduled for 25 May in both Italy and Zone A of Trieste. Italian politicians in Trieste have been reported as resigned to "getting little results" from the London conference but prepared to propagandize any result as an Italian victory.

25. Another Italian industrialist dismisses Communist plant official: In order to meet the terms of the Benton Amendment, the Galileo Optical works in Florence recently dismissed a top Communist official. The Communists and Socialists retaliated with a 24-hour strike, and in their press have violently denounced the management's action as subservience to American "colonialism" and as "open discrimination worse than fascism, because fascism was at least independent of a foreign power."

Mutual Security Agency officials in Rome comment that the Communist uproar is evidence that the Benton Amendment is having good effects. They point out that speedy placing of orders in plants where Communists are dismissed will strengthen the position of management and non-Communist employees. [REDACTED]

Comment: This is the second instance of an Italian industry's daring to purge a Communist official in order to obtain off-shore contracts. In February the Fiat plant dismissed a high Communist official, occasioning thereby a rather ineffectual wave of agitation among the factory workers.

Communist and Socialist press charges typify the present propaganda theme of these parties, which try to appear patriotic

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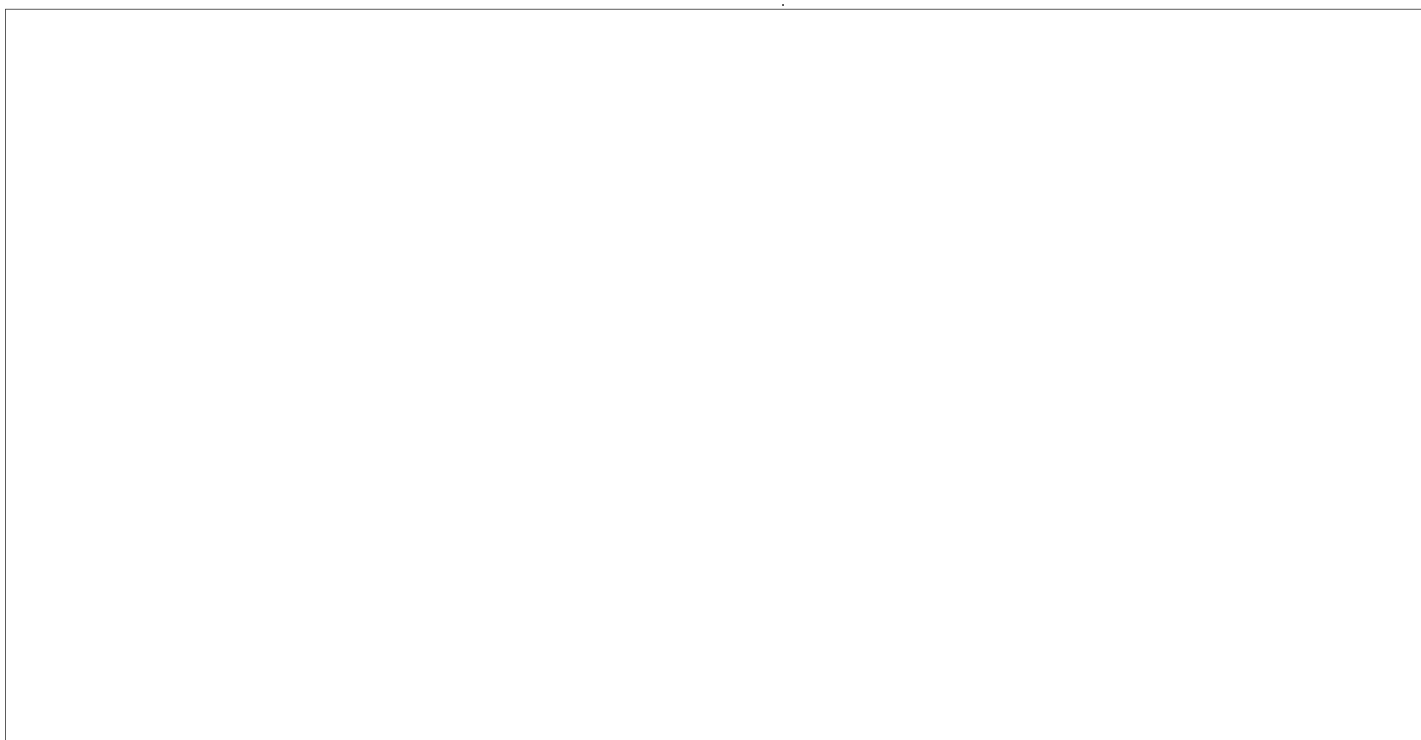
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and nationalist in order to win adherents from right-wing neutralist elements who dislike Italy's ties with the United States.

26. Spain seeks assurance of further US aid: In the current negotiations for an American-Spanish economic aid agreement, the Spanish representatives are pressing for assurances that the United States foreign aid program for fiscal year 1953 will include aid for Spain over and above the 100 million dollars already allocated by Congress. The American Ambassador at Madrid believes that if the assurances are not given, the Spanish Government will seek support of members of Congress for a special additional appropriation. [REDACTED]

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LATIN AMERICA



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28. Guatemalan President vetoes Communist-sponsored labor "reforms": President Arbenz, with the approval of his cabinet, has vetoed a bill amending 27 articles of the Labor Code. The bill, sponsored by the pro-Communist bloc, was approved by Congress as a "May Day gift" to the workers. It would have considerably extended labor benefits and the preferential status of union members. [REDACTED]

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Comment: The President's veto was unexpected. It is his first break with leftist and pro-Communist supporters in Congress on a major political issue and adds weight to his recent overtures for the support of Guatemalan business circles.

29. Mexican anti-Communists seek to capitalize on May Day violence: The Partido Nacionalista de Mexico (PNM) has asked the government to outlaw the Mexican Communist Party and to sever diplomatic relations with the Soviet Union as a consequence of the bloody May Day fighting in Mexico City.

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Comment: Evidence suggests that the anti-Communist gangster group, "Los Dorados," rather than the Communists, actually provoked the violence which has subsequently been blamed on a pre-arranged Communist plot. The PNM is a small, registered, pro-Catholic party whose function appears to be the capture of the extreme rightist Sinarquist vote for Adolfo Ruiz Cortines, presidential candidate of the official administration party.

The government is not likely to act on the PNM suggestion. Reports that Communist leaders have been arrested for their part in the riot, however, suggest that the government is using the incident to gain support from rightist elements.

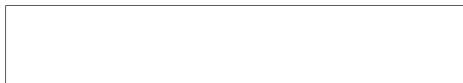
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NEAR EAST - AFRICA

1. Greek-Turkish talks please Prime Minister Venizelos:
Greek Acting Prime Minister Venizelos has told American Ambassador Peurifoy that the recent visit of the Turkish Prime Minister to Athens was an outstanding success. Although no formal agreements were concluded, the Turkish Prime Minister promised an "acceptable solution" of the fishing controversy. Meanwhile, the Greek delegation negotiating economic problems in Ankara was making progress.

The Chief of the General Staff and he had agreed, Venizelos added, that Greece and Turkey should sound out Yugoslavia on joint defense planning.

Turkey is still opposed to the possible appointment of an Italian deputy because he might command the Turkish troops in NATO. Peurifoy reports that Greece apparently intends to support the Turkish position.

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Comment: Regardless of Venizelos' optimism, only the troublesome fishing controversy appears to be nearing a solution.

The Turkish Ambassador in Yugoslavia told the American Ambassador on 1 May that he believed it was premature to discuss military questions with Yugoslavia. In spite of Yugoslav reluctance to participate in any regional military agreement, there have been firm indications that the Yugoslavs would welcome secret discussions concerning local military cooperation with Greece and Turkey.

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WESTERN EUROPE

2. Adenauer assures Eisenhower on Allied-German treaties:
In his interview with General Eisenhower on 3 May, Chancellor Adenauer expressed confidence that the European Defense Community treaty and the Allied-German contractual agreement would be signed about 20 May. He thought, however, that Parliament would approve the EDC treaty more readily than the contracts, about which serious difficulties had lately developed.

The Chancellor also stated that the Soviet Union's current unity program would not block West Germany's integration into the European defense system. [REDACTED]

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Comment: Opposition to the contractual agreement is rising in West Germany as the terms are made public. High Commissioner McCloy has gained the impression, however, that disagreement between the Allies and the government coalition leaders will finally be resolved.

The High Commissioner's office believes that the EDC treaty will not be ratified by all members before October.

3. Denmark and Norway willing to make air bases available for US units: Foreign Minister Kraft of Denmark, who recently returned from Oslo, informally told the American Ambassador that in his opinion the Norwegian and Danish governments are "about ready to indicate their willingness to enter negotiations" with the United States concerning air bases. He stated that for political reasons the Danish Government could not make a complete and open commitment but that preliminary steps would prepare the public to accept the idea when fields are ready. [REDACTED]

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Comment: The United States has been negotiating with Norway for some time, but Norway has hesitated to reverse or circumvent its publicly stated opposition to foreign bases in peacetime. Both Denmark and Norway desire to avoid provoking the USSR needlessly. Foreign Minister Kraft probably envisages that after an accelerated expansion of Danish airfields far in excess of the needs of Danish Air Force, the fields will be made available to US units upon their completion.

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